UNITED NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/1996/7
22 November 1995

ORIGINAL: ENGLISH

First regular session 1996
15-19 January 1996, New York
Item 5 of the provisional agenda
UNDP

ACTIVITIES OF THE INTER-AGENCY PROCUREMENT SERVICES OFFICE

Report of the Administrator

I. PURPOSE

1. The present report provides a comprehensive review of the activities of the Inter-Agency Procurement Services Office (IAPSO). It is submitted to the Executive Board in line with the UNDP budget strategy for the biennium 1996-1997, outlined in report DP/1995/51 and pursuant to paragraphs 41 to 43 of Board decision 95/28 on the 1996-1997 biennial budget for IAPSO.

2. The report has also been prepared as a follow-up to the recommendations of the Board of Auditors contained in their management letter to UNDP of 30 June 1995 with regard to its review of IAPSO activities.

3. The activities of IAPSO fall within two principal mandates:

(a) To undertake research and development activities in the area of procurement for the benefit of United Nations organizations. There are also subsidiary benefits to Member States, non-governmental organizations (NGOs) and other civil society organizations, and the business community for the information available to them as a result of the efforts of IAPSO to promote United Nations procurement. This activity is provided free of charge to the United Nations system and is completely funded by UNDP under its Programme Support and Development Activities (PSDA) component of the budget. However, IAPSO is seeking ways to obtain financing from beneficiaries, where practical, for these research and development activities.

(b) To provide a wide range of procurement services - including advisory, direct procurement, and training/capacity-building services - to Governments of programme countries, donor Government development agencies, NGOs, United Nations

organizations, and United Nations staff. IAPSO has also established a niche in serving development partners outside the United Nations system. For UNDP in particular, IAPSO provides procurement services to country offices both for purchases against the administrative budget of those offices and in support of national execution of UNDP programmes and projects. IAPSO provides all procurement services on a self-financing basis. Clients are charged a fee for the services provided.

4. The Executive Board is requested to (a) reaffirm the activities of IAPSO in light of a recognized need for IAPSO to consolidate results achieved in programme support activities since its inception in 1978 and (b) define a strategy to secure the financial basis to pursue these activities in the future. IAPSO is foreseen as an important participant in the changing environment for development cooperation, both in terms of its mandate for research and development in cooperation with the inter-agency forum, and in terms of the procurement services that it provides to the entire development community, a unique service that goes beyond the organization of the United Nations system. The Board is also requested to reaffirm its decision with regard to the budgetary allocation to IAPSO and revised staffing table and grade structure (para. 42 of decision 95/28).

II. THE ESTABLISHMENT OF IAPSO

5. The Inter-Agency Procurement Services Unit (IAPSU) was set up by UNDP in 1978, in response to General Assembly resolution 32/197 of 19 December 1977. In 1982, IAPSU moved from New York to Geneva to strengthen its operational viability and effectiveness in view of the location of major United Nations agencies. In 1989, at the invitation of the Government of Denmark, IAPSU was relocated to Copenhagen, at which time it was renamed the Inter-Agency Procurement Services Office (IAPSO). This move was in direct response to a request for measures to achieve more equitable geographical distribution of procurement through increased utilization of supply sources from underutilized major donor countries, in particular the Nordic countries and the Netherlands. Relocation costs were covered by the Government of Denmark, which to date provides rent-free office accommodation to IAPSO.

6. The overall objective and overriding concern of IAPSO, as established by Governing Council decision 78/31 of 3 July 1978, is "to procure equipment at the lowest possible cost with maintenance of adequate standards". This mandate was reaffirmed in Council decision 88/20 of 1 July 1988. Subsidiary objectives are: to increase procurement from developing countries; to achieve a wider geographical distribution of sources of supply; and to increase utilization of non-convertible currencies. The last objective has diminished in importance as UNDP no longer accumulates significant amounts of non-convertible currencies.

7. The Governing Council regularly reviewed the activities of IAPSO, adding specific areas of concentration in line with the main mandate. In its decision 79/45, later reaffirmed by decision 85/39, the Council mandated IAPSO to distribute advance business information, unify procurement rules and procedures and standardize equipment procurement on behalf of the United Nations system. In its decisions 87/19 and 88/20, the Council, called for compilation of

statistical information on procurement, a move it reaffirmed in decision 89/29, in which it also requested additional data on other components such as experts, consultants, national experts, fellowships and volunteers.

8. In its decision 91/48 of June 1991, the Governing Council further requested the consolidation of procurement guidelines and the establishment by IAPSO of a common vendor database. It also requested the strengthening of national capabilities through training programmes, increased transparency and advance information on procurement activities of the United Nations system and the strengthening of focal points at local levels.

9. In 1987, pursuant to decisions by the Governing Council and the Executive Management Committee (the internal policy body of UNDP at the time), the Administrator took the decision to authorize IAPSO to undertake procurement, for a fee, for common-user items on behalf of (a) United Nations system organizations; (b) Governments; (c) organizations cooperating with the United Nations system; and (d) United Nations staff members.

10. The Administrator has reported to the Governing Council and the Executive Board on the full range of IAPSO activities in the main programme record, an addendum to his annual report. Specific areas of focus have also been reported on a regular basis. Beginning in 1996, the activities of IAPSO, including a consolidated report on procurement and statistical information on purchases of goods and services by United Nations agencies and UNDP, will be reported to the Executive Board at its third regular session.

III. ACTIVITIES OF IAPSO

11. In accordance with IAPSO mandates, the scope of activities of IAPSO fall within two major areas: (a) research and development activities and (b) procurement and training services.

A. Research and development activities

1. Secretariat of the Inter-Agency Procurement Working Group

12. The Inter-Agency Procurement Working Group (IAPWG) was established in 1976, pursuant to a decision of the Inter-Agency Consultative Board (ICAB) and on the recommendation of the Governing Council, in order to ascertain whether cost savings, speedier deliveries and better maintenance could be achieved through cooperation in procurement among United Nations agencies. UNDP has chaired IAPWG since 1977 and IAPSO became its secretariat in 1978. IAPWG has guided the work of IAPSO in an inter-agency spirit of cooperation, based on the mandates given to IAPSO by the Governing Council.

13. Currently, IAPWG meets annually, with active participation of the majority of United Nations executing and specialized agencies. Agencies also cooperate in sub-working groups on specific technical issues of common interest, whose results are reported to IAPWG for further evaluation and/or endorsement. Annual IAPWG meetings include the assessment by the participants of the market capacity

of host countries through business contact activities. The venue of the annual meeting is established on a rotational geographical basis. Host countries have included both developing and donor countries.

14. Cooperation on procurement matters within the framework of the IAPWG has allowed important progress on such issues as the coordinated procurement of common-user items; standardization and negotiation of collective price arrangements and umbrella contracts; most economical delivery of goods and services; diversification of supply sources, with special emphasis on procurement from developing and underutilized major donor countries; harmonization of the United Nations procurement procedures; and practices and information to the business community on supply opportunities to the United Nations system are good examples of the results achieved over the past years within the IAPWG framework.

15. IAPWG members have expressed appreciation, in various occasions, for the services in research and development provided by IAPSO free of charge to the United Nations agencies. The various services in this area are described in the following paragraphs.

2. Collective price arrangements

16. The Consultative Committee on Administrative Questions (Financial and Budgetary Matters (CCAQ(FB)), has recognized that standardization programmes and centrally negotiated prices for common-user items would have potential for significant savings for the United Nations system. On this basis and as requested by the IAPWG and actively supported by major United Nations buying organizations, IAPSO undertakes, based on the aggregated annual United Nations purchasing volume, open international bidding for supply to the United Nations of common-user items based on generic specifications. The evaluation and selection of bids is done by the respective sub-working technical group and presented by the participating United Nations agencies to their Contract Committees for approval. In UNDP, the Chief Procurement Officer, following the recommendation of the UNDP Contract Committee, approves the collective price arrangements for direct use by UNDP in a decentralized manner.

17. The concept of coordinated procurement, developed by IAPSO on the basis of recommendations by CCAQ(FB), is supported by IAPWG and was recently reconfirmed at its 20th annual meeting, 1995. Coordinated procurement has resulted in improved prices through economy of scale, delivery conditions, service and maintenance facilities, as well as increased transparency through the wide market consultation and improved procedures for procurement using negotiated prices. System-wide savings in 1994 were estimated at $20 million on some 8,000 purchase orders.

18. IAPSO compiles catalogues on standard common-user items, containing full technical and price information, which allows direct use of these umbrella contracts for procurement by United Nations agencies and country offices globally.

3. Standardization and specifications of common-user items

19. The term "common-user item" was defined by IAPWG at its 18th annual meeting, 1993, to cover major commodities purchased frequently by several United Nations organizations. Detailed work on standardization is carried out by technical sub-working groups, serviced by IAPSO. So far, development of standards and specifications have covered motor vehicles, motor cycles, trucks, and office equipment. More recently, common-user items have included specialized items of relevance to the work of several United Nations organizations in specific areas.

20. For instance, work on defining generic specifications for emergency relief items has been completed. This will support United Nations system-wide efforts to improve emergency preparedness and to achieve cost efficiency. IAPSO, in close consultation with the Department of Humanitarian Affairs (DHA) and other United Nations and non-United Nations humanitarian organizations, developed generic specifications for all major items required in the first phase of an emergency. Specifications for medical items are currently being developed. The target groups for this information are, first and foremost, the disaster management team at the country level, headed by the Resident Coordinator, United Nations humanitarian aid organizations, NGOs and Governments.

21. In recognition of the fact that disasters, in particular man-made ones, leave increasing numbers of people maimed, IAPSO has started developing common standards for the emergency rehabilitation phase, in particular the development of low-cost technical aids for disabled persons, which can be produced in developing countries, using appropriate technology. In this undertaking, IAPSO cooperates with the International Disability Foundation (IDF).

22. In direct response to Agenda 21, IAPSO has included environmental specifications in the standardized specifications of common-user items. This was systematically introduced for the 1994 competitive bidding exercise, in particular for motor vehicles, motor cycles and office equipment, and responses from manufacturers are very encouraging. In this regard, IAPSO is also coordinating efforts to create a green office environment in UNDP and the United Nations system. The initial concept has been adopted by UNDP.

4. The United Nations Common Coding System (UNCCS)

23. To facilitate the exchange of information on supply sources, establish and update databases and compile statistical information on procurement in the United Nations system, IAPSO developed the United Nations Common Coding System (UNCCS), based on the Central Product Classification (CPC) of the United Nations Statistical Office. UNCCS presently covers more than 17,000 types of goods and services and is being expanded on an ongoing basis. To cater to the steadily growing use of UNCCS and provide an on-line user-service facility, a UNCCS maintenance secretariat is being established under IAPSO, with funding from a donor Government.

24. Established in 1990, UNCCS is now used by most major United Nations agencies, including the World Bank. Other organizations such as the

International Federation of Red Cross and Red Crescent Societies (IFRC), the International Committee of the Red Cross (ICRC) and Crown Agents have also adopted the UNCCS. The wide acceptance of UNCCS in the United Nations system will particularly facilitate electronic data interchange in the future.

25. UNCCS is correlated with other international coding systems such as the Harmonized System (HS), the Standard International Trade Classification (SITC) and the Community Procurement Vocabulary (CPV) developed by the European Commission. Moreover, NATO is in the process of preparing correlation tables with UNCCS for use in peace-keeping operations with the United Nations.

5. The Common-Vendor Database (CVD)

26. The Common-Vendor Database (CVD) is a tool for sharing information on reliable, active United Nations suppliers of specific goods and services. It is a repository of information on about 7,000 active United Nations suppliers from 140 countries, of which 27 per cent are from developing countries and 12 per cent from underutilized major donor countries. The CVD is thus a tool for improving geographical distribution of United Nations contracts.

27. IAPSO is responsible for the maintenance and updating of the CVD. United Nations agencies report information on active suppliers to IAPSO, on an annual basis for all suppliers and on a monthly basis for major contracts, which are also published in the IAPSO publication "Procurement Update". IAPSO is responsible for the strict adherence to registration criteria and verification of all data, the objective being to provide complete and accurate information on suppliers for direct use by United Nations agencies.

28. Updated electronic versions of the CVD is provided to all United Nations organizations on diskette; direct access to the master CVD in IAPSO is also possible. Since 1994, all UNDP country offices have received the CVD for use in procurement sourcing. Over the past two years, the CVD has also become more actively used as a sourcing tool by all agencies, both at headquarters and field levels. The development of an improved version of the CVD software is planned by IAPSO to facilitate its use by agencies and country offices in the updating of information and the establishment of local supplier rosters.

6. Statistical reporting on procurement by the United Nations system

29. IAPSO compiles annual statistical reports on the procurement of goods, services and personnel components for use by the Economic and Social Council (ECOSOC) and the Executive Board. Data is collected from all United Nations organizations and UNDP country offices, based on country of procurement for goods and country of head office location for services. The personnel components, covering international experts, national experts, United Nations Volunteers (UNV) specialists and fellowships are compiled on the basis of nationality and assignment.

30. The major system-wide constraint to accurate and timely reporting of data on procurement is that the provision of statistics is not yet an integral part of the procurement process and often requires manual retrieval of data. With the increased use of computerized procurement systems and codification (inter alia, UNCCS), it is expected that better reporting routines will be feasible in the future. More detailed data would also facilitate joint standardization efforts by the United Nations organizations and coordinated price negotiations. IAPSO plans to develop an electronic database facility to simplify the collection of statistical data.

7. Harmonization of United Nations procurement procedures and practices

31. In order to facilitate the harmonization of procurement procedures among the United Nations organizations, IAPWG established a Sub-Working Group in 1994 to devise common principles for procurement. A first draft will be presented to IAPWG at its 21st meeting in 1996.

32. The revised common principles, which were developed within the context of the United Nations Commission on International Trade Law (UNCITRAL) Model Law for Procurement of Goods, covers those procurement stages from sourcing activities to the execution of a procurement contract while addressing such important issues as fairness, integrity and transparency of the procurement process, as well as economic efficiency and effectiveness.

8. Market advice and information to the United Nations system and business community

33. The market information services provided by IAPSO to the business community range from advisory services to registration of suppliers. Based on a quick assessment of capacities, IAPSO provides information on which United Nations organization or organizations are likely to require the goods and services offered. More than 4,000 companies are assisted directly on an annual basis. In cooperation with national focal points, such as trade promotion offices and chambers of commerce IAPSO assists in arranging business information seminars and enlists the cooperation of relevant United Nations agencies in such events. In 1995, business seminars were organized in Cyprus, Denmark, Finland, Italy, Netherlands, Norway, South Africa, Sweden, United Kingdom and Zimbabwe.

34. The General Business Guide (GBG), published annually by IAPSO in English, French and Spanish, contains general information on requirements for goods and services by the United Nations agencies and is an important initiative towards promoting transparency in procurement. The GBG provides a general overview of procurement requirements by each organization of the United Nations system, together with common principles and practices governing procurement, as well as contact addresses of country offices, and field offices for peace-keeping operations.

35. The monthly bulletin "Procurement Update", published by IAPSO since 1990, has become a central source of information for the business community and a

channel for United Nations agencies to advertise advance business opportunities, procurement notices and contract awards. IAPSO is actively promoting the information flow from the regional bureaux, country offices and United Nations agencies to ensure access to relevant information by interested suppliers and wider knowledge of the United Nations as a market. "Procurement Update" is also available as an electronic facility.

36. In addition, a network of national focal points has been established based on an inventory of trade-promotion organizations, elaborated in the framework of a joint UNDP/International Trade Centre (ITC) programme. Today, IAPSO cooperates with over 300 national focal points, of which 254 are in developing countries.

9. Promotion of procurement from developing and under-utilized major donor countries

37. Increased geographical distribution of procurement, in particular from developing and underutilized major donor countries is one of the major objectives of IAPSO. This is being pursued through: (a) increased awareness of the United Nations market; (b) research on supply sources; (c) dissemination of such information to United Nations agencies; and (d) shortlisting procedures to include suppliers from developing countries.

38. In 1988, IAPSO initiated a programme of action to promote supply sources in developing countries. This took the form of UNDP-funded technical cooperation projects implemented by ITC, the United Nations Office for Project Services (UNOPS), or the concerned Government with support from IAPSO. Projects have been implemented in 15 countries.

39. In 1994, IAPSO undertook an evaluation of such projects, which concluded that projects were effective in: (a) building capacity at the level of the national executing agency; (b) building awareness in the local business community about the potential United Nations market; and (c) informing United Nations agencies about potential supply sources in developing countries. Weaknesses such as the lack of updating mechanisms for supplier information and training of counterpart personnel were also identified in the programme countries. New projects address these weaknesses to ensure that the necessary national capacities are created.

40. One of the outputs of such projects was the production of catalogues of verified national supply sources. These catalogues are distributed to all United Nations agencies and country offices as a sourcing tool. Guidelines for shortlisting, requiring, inter alia, inclusion of suppliers in target countries were elaborated by IAPSO in the framework of the IAPWG. In addition, in its standardization efforts for common-user items, IAPSO seeks to identify reliable suppliers in target countries for inclusion in product catalogues. Country offices are also requested to report to IAPSO on active supply sources.

41. Through the work of IAPSO, in collaboration with local industry and/or Governments, the share of United Nations procurement from developing countries

has increased from 22.2 per cent in 1988 to 35.5 per cent in 1994, as reported to the Executive Board in document DP/1995/55.

42. The concept of underutilized major donor country was originally developed by IAPSO to designate a major donor whose return value on contracts in relation to its voluntary contribution to UNDP was low, compared to other donor countries. The Nordic countries and the Netherlands have belonged to this category for some time.

43. Through advisory services and information seminars, IAPSO seeks to increase the knowledge of the United Nations market in the business community of underutilized major donor country. Also, as part of the programme of IAPWG meetings, in particular when held in underutilized major donor countries, IAPSO has facilitated business contacts between procurement officials of United Nations agencies and underutilized major donor country firms in an effort to promote business opportunities between these firms and the United Nations system. In cooperation with national focal points, potential suppliers are registered and supplier information updated and published in country-specific catalogues, which are distributed to United Nations procurement offices and UNDP country offices. IAPSO is also planning to develop an electronic distribution of supplier information from this group of target countries.

B. Procurement and training services

1. Procurement services

44. The assistance provided by IAPSO ranges from the direct procurement of standard common-user items to the provision of more complex procurement services involving technical/sourcing advice to clients. As a provider of direct procurement services, IAPSO assists its clients as a trusted neutral agent, with the cost-efficient acquisition primarily of commonly used equipment, providing access to preferential United Nations umbrella contracts and specific United Nations stock arrangements, with the agreement of the manufacturers. As an adviser, IAPSO provides information on appropriate specifications of relevant equipment for field use, suitable country standards and qualified sources of supply, including manufacturers in developing and underutilized major donor countries.

45. Procurement services to clients have grown from $9.2 million in 1988 to $48.2 million in 1994, as illustrated in the tables below:

Table 1. Total procurement in 1994 by client group

Requesting party	$ millions	Per cent
UNDP (Administrative budgets)	3.8	7.9
NGOs, Donor development agencies	23.5	48.8
Programme country Governments	13.3	27.5
United Nations organizations	2.1	4.3
United Nations staff	5.5	11.5
Total	48.2	100.0

Table 2. Total procurement in 1994 by main product group

Products	$ millions	Per cent
Vehicles	40.7	84.5
Computers	3.1	6.5
Office equipment	1.5	3.0
Other	2.9	6.0
Total	48.2	100.0

46. Assistance to UNDP country offices for the procurement of goods from administrative budgets includes technical advice and the provision of information on reliable sources and prices. Direct procurement assistance is also provided upon request. In addition, IAPSO is well positioned and has the requisite capacity to provide support in the procurement of programme and project inputs under the national execution modality.

47. With more than 70 per cent of IAPSO procurement services provided to partners of UNDP outside the United Nations system, IAPSO contributes towards the forging of operational links among strategic allies for humanitarian assistance and development. Efficient cooperation has been established with a number of larger international NGOs supporting and supplementing United Nations relief and development operations. Due to its geographical location, IAPSO has specifically assisted European-based development agencies of major donor Governments, including underutilized major donor countries, currently accounting for more than 50 per cent of all procurement services provided. Limited direct procurement is carried out for other United Nations agencies.

48. In short, IAPSO services contribute to a more efficient use of non-United Nations aid funds and to the harmonization of the specifications, quality standards and compatibility of common-user items used for development cooperation and disaster relief. The considerable recent growth in demand for

the IAPSO services clearly demonstrates the need for such services by the development community. The Administrator shall ensure that IAPSO has the requisite capacity before providing procurement services for any new product group.

49. IAPSO procurement and advisory services are provided for a fee, covering all direct and indirect costs involved with the execution of a request. In general, this fee is 5 per cent of the total order value. However, for larger contracts of standard items or more complex orders, the fee may be adjusted based on estimated actual costs. Charges to UNDP country offices are calculated taking into consideration the nature of the procurement action and the allocation of resources by the country office to undertake the procurement action. IAPSO is currently undertaking a review of its current fee structure with a view to developing a more comprehensive fee schedule to accommodate the changing demands of clients in terms of both the nature and scope of services required.

2. Procurement training

50. In 1991, the IAPWG requested IAPSO to address the training needs of United Nations agencies in procurement-related matters and to coordinate training efforts for procurement staff of participating United Nations organizations, including field personnel. A pilot training programme was developed by IAPSO in 1992 with professional assistance from other United Nations organizations and external training consultants. Since then, 14 courses have been delivered in locations where United Nations agencies are based, with 203 participants from 21 organizations.

51. The training programmes focus on the development of procurement skills, mainly for junior procurement officers and senior procurement assistants. More specialized procurement training programmes are being developed in modular form in response to identified needs of the United Nations agencies. In addition, growing demand has been expressed by the United Nations organizations and UNDP country offices for specialized training, covering logistics, insurance, legal implications of procurement, procurement specifications, total quality management, and green procurement. IAPSO has initiated the development of such specialized courses, with a first course on logistics held in September 1995.

52. Training programmes are a self-financing activity of IAPSO, where participants cover the costs.

IV. FUTURE SCENARIO FOR IAPSO ACTIVITIES

A. Financing of IAPSO activities

53. In the overall context of downsizing and the UNDP budget strategy for 1996-1997, the Administrator believes that IAPSO activities should continue to be focused on its two basic mandates: (a) procurement and training services for UNDP and the development community and (b) research and development activities in support of its important inter-agency role, in line with General Assembly

resolution 32/197. As indicated to the Executive Board in document DP/1995/51, the Administrator believes that the direct procurement and training services should continue to be provided on a cost-recovery basis. Therefore, the related operational costs should be financed by fees derived therefrom as extrabudgetary income. On the other hand, research and development activities, which are considered the core functions of IAPSO, should continue to be provided as a free-of-charge service to United Nations organizations and should be financed from resources of UNDP, under programme support and development activities (PSDA). However, these activities should also gradually become self-financing.

54. The need for an inter-agency body such as IAPSO, which coordinates and amplifies the joint efforts by the United Nations organizations for productivity improvements in procurement matters remains valid. The strengthening of the inter-agency role of IAPSO is in line with the UNDP commitment to improved coordination of operational activities for development within the United Nations system. The efforts made by IAPSO to streamline operations and render procurement effective while safeguarding the accountability and transparency required in the utilization of public funds are also in line with the efforts of UNDP to assist the United Nations to become a cohesive force in development. The cost-efficient delivery of project/programme inputs has a major impact on timeliness and results of operational activities for development as well as emergencies.

55. Against this background and to support the core appropriation for IAPSO, the Executive Board took note, in its decision 95/28, of the proposal to reduce the number of professional budgetary posts from seven to four and the number of general service posts from eight to five. This action, accompanied by a corresponding reduction in general operating expenses, will result in a core IAPSO budget for the biennium 1996-1997 of $4,562,600, a reduction of $1,577,700 (26 per cent) from the biennium 1994-1995.

B. IAPSO services in support of programme activities

56. The core activities of IAPSO, described above, are supplemented by (a) its role as a self-financed specialized procurement services centre that assists donors and recipients of international development cooperation with cost-efficient and timely acquisition of requirements, upon their request; (b) its role as a provider of specialized procurement skills training programmes to the United Nations system and its development partners; and (c) its function as a United Nations business information centre for the donor community.

57. The Administrator foresees a special role for IAPSO in supporting procurement for programme and project inputs under national execution. As this area is expected to grow, IAPSO has developed a capacity for training and capacity-building as well as for the provision of direct procurement services.

58. IAPSO is committed to coordinated procurement with United Nations organizations. In this connection, discussions have been initiated with United Nations organizations, including UNOPS for possible cooperation in the provision of procurement services. Such efforts to attain coordinated procurement seek to achieve economies of scale in operations and lower overhead costs while

addressing any potential for the duplication of services within the United Nations system. The Administrator believes that any arrangement that capitalizes on individual strengths of concerned organizations would be beneficial and of service to the whole United Nations system and the development community. It is also expected that coordinated efforts will eventually result in increased business for all organizations concerned, through joint market-development initiatives, thereby sharing increased income resulting from larger markets, rather than shares in existing markets.

C. Monitoring and control mechanisms

59. With the anticipated continued growth of direct procurement activities, coupled with a larger part of the operations of IAPSO being financed from extrabudgetary income, the Administrator has decided to maintain an established minimum level in the balance of accumulated extrabudgetary income. Such balance will be maintained for contingency purposes, primarily as a provision against any unexpected shortfalls in extrabudgetary income. The level of the balance will be initially established at 20 per cent of the projected annual income from IAPSO extrabudgetary activities.

60. While procurement in the United Nations system is undertaken on a fully funded basis, as an additional safeguard for UNDP against potential losses derived from direct procurement activities on behalf of the development community, IAPSO requires non-United Nations clients and United Nations staff to effect payment in advance, on the basis of accepted pro-forma invoices. An alternative for larger donor development agencies is to enter into a general purchasing agreement with IAPSO to guarantee payment.

61. An integral element of management control mechanisms is the current implementation of an integrated computerized accounting and procurement system. This development, expected to be fully operational in early 1996, will produce greater operational efficiencies and a substantial improvement in accuracy and completeness of data, and will provide more cost-efficient services to clients. In addition, the new system will significantly improve facilities for management reporting and thus ensure better control and monitoring of operations, including income, so that timely action is taken to make required adjustments.

V. EXECUTIVE BOARD ACTION

62. The Executive Board may wish to:

1. Take note of the report of the Administrator on the activities of the Inter-Agency Procurement Services Office and express appreciation of the important inter-agency cooperation work undertaken by the Office within the framework of the Inter-Agency Procurement Working Group, which has proven to have an important impact on programme deliveries, economy of operations and transparency in the use of public funds;

2. Reaffirm that under its mandate for research and development on procurement-related matters for the United Nations system, the Inter-Agency

Procurement Services Office continue to promote inter-agency cooperation and coordination, where possible, finding ways of making such activities self-financing;

3. Also reaffirm that, under its mandate for procurement services, the Inter-Agency Procurement Services Office continue to provide a full range of such procurement services to the organizations of the United Nations system and to partners in development outside the United Nations system, including non-governmental organizations, Governments and government agencies, building upon the capacity it has developed in common-user items, as defined by the Inter-Agency Procurement Working Group, and other product groups for which the Administrator shall determine that the Inter-Agency Procurement Services Office has the requisite capacity;

4. Encourage the Inter-Agency Procurement Services Office to seek ways of coordinated procurement arrangements with United Nations entities to draw on respective strengths of each entity and thus provide better services to the development community, and in particular to programme countries;

5. Request the Inter-Agency Procurement Services Office to present a consolidated annual report to the Executive Board on its activities, including direct procurement, and provide a full statistical report on United Nations system procurement at its third regular session;

6. Confirm paragraphs 41 to 43 of its decision 95/28 with regard to the 1996-1997 biennial budget for Inter-Agency Procurement Services Office, including the modified staffing table and revised grade structures of IAPSO.